non-equal-access switches to equal-access may not be assessed on PSPs.[26] Those costs should be borne in the same manner as other equal access costs. Further, Flex ANI will be used for other services apart from payphones, and other purposes apart from payphone compensation. To the extent that IXCs use Flex ANI for other purposes, they must be required to pay for it directly, rather than having charges assessed in the first instance on PSPs.

Third, any charges assessed on PSPs must be applied to both "dumb" and "smart" payphone lines. Although it is the "dumb" payphone lines that currently lack payphone-specific ANI digits, this state of affairs is in no way the fault of the subscribers to "dumb" payphone lines, who are primarily independent PSPs. It is simply an accident of history, or rather, of the LECs historic discrimination practices which are now prohibited by Section 276. If LECs had been motivated to do so, they could have assigned a "payphone-specific" code to "dumb" lines and a "non-payphone-specific" code to "smart" lines, instead of vice versa. Alternatively, if LECs had, from the outset of competition, made "smart" lines available on a nondiscriminatory basis to all providers, all payphone providers could have benefited from the "payphone-specific" code. It is no coincidence that the "payphone-specific" code is for the line used overwhelmingly by LEC payphones.

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[26] As discussed above, note 20, the number of payphone lines served by non-equal access switches is generally acknowledged to be very small in relation to total payphone lines. The Commission should not mandate conversions to equal-access solely in order to have a "perfect" per-call compensation scheme. Rather, the Commission should grant LECs and IXCs a waiver of per-call compensation requirements for lines served by non-equal-access switches. Each such waiver should last until such time as the switch is converted to equal-access under the applicable timetable.

LEC PSPs should not be exempt from charges that are the direct result of LEC bias. In short, the Commission must make clear that any charges assessed on PSPs must be averaged across all lines as though all lines are using it and must be assessed accordingly.

Fourth, any charges assessed on PSPs for the provision of Flex ANI should be added onto the prescribed per-call compensation rate, to the extent that they exceed the one cent per call ANI digit restructuring cost that was used as part of the cost basis of the compensation rate. Second Report and Order, ¶ 57. Since the compensation rate was determined based on the relative differential between the cost of a coin call and the cost of a dial-around call, it is necessary to adjust the Commission's estimate of the coin/dial-around cost differential, and increase the compensation rate, to the extent of any additional charge for Flex ANI above and beyond the Commission's estimate of one cent per call.[27]

Further, in the event that the FCC permits LECs to apply a Flex ANI charge only to "dumb" line subscribers while exempting "smart" line subscribers, then the FCC must adjust its prescribed compensation rate to reflect the differential in dial-around costs borne by each group of subscribers. In other words, if a LEC is allowed to charge "dumb"

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[27] APCC intends separately to challenge the Second Payphone Order's analysis and attribution of ANI digit restructuring costs. In the Second Payphone Order, the FCC spread the cost of ANI digits restructuring across all calls, including coin calls. But contrary to the analysis in the Second Payphone Order, any cost incurred by payphone providers in order to receive Flex ANI is attributable solely to dial-around calling. If the base of calls across which the cost of ANI digits is spread is narrowed to include only dial-around calls, the cost per call will be higher than if the cost is spread across all payphone calls.

line subscribers two cents per call for Flex ANI, while charging "smart" line subscribers nothing, then (assuming other factors stay the same) the compensation rate for "dumb" line subscribers must be increased to 29.4 cents per call, and the compensation rate for "smart" line subscribers must be reduced to 27.4 cents per call.

IV. IF THE IXCS ARE GRANTED A WAIVER, THE FCC MUST ENSURE THAT PSPS ARE COMPENSATED DURING THE WAIVER PERIOD

AT&T has requested that IXCs be granted a waiver of their per-call compensation obligations, allowing them to pay compensation for five months on a flat-rate basis. AT&T alleges that it cannot track payphone calls and pay per-call compensation in the absence of payphone-specific ANI transmitted on every call (Options 1 or 2). AT&T's support for this claim is not convincing. There does not appear to be any compelling reason why AT&T or other carriers could not, if necessary, track and pay per-call compensation by using OLNS (Option 3) or even LEC-ANI-list screening (Option 4). AT&T claims OLNS or variants of OLNS can be used only to track access code calls -- and cannot be used to track subscriber 800 calls -- because only access code calls are routed to a Class 5 switch that can launch a data base query. Yet, during 1996, AT&T, MCI, and Sprint were tracking and paying per-call compensation to payphone providers in Illinois, for intrastate access code *and* subscriber 800 calls, pursuant to an order of the Illinois Commerce Commission, even though Options 1 and 2 were unavailable to them. Furthermore, MCI and Sprint have both indicated that they can track subscriber 800

payphone calls well enough to bill their 800 service subscribers a payphone compensation surcharge of 35 cents per call. See Attachment 1.

The IXCs concede that they can currently track and pay compensation for "27" calls. Paying per-call compensation on "27" calls appears to involve at least the following steps: (1) extract a pool of 800-number call records based on the presence of "27" digits; (2) sort the pool of "27" calls by originating line number ("ANI"); (3) assign the calls associated with each ANI to individual payphone providers, so that each payphone owner is credited with the correct number of "27" calls placed from its payphones during the compensation period. The ANIs associated with each payphone provider are obtained from the "bills" submitted by payphone providers, and are verified by matching each payphone provider's claimed ANIs against lists of payphone line ANIs and subscribers that LECs are required to make available to IXCs.

If it is feasible to perform these tasks based on "27" digits, as the IXCs concede it is, then there is no apparent reason why it is not equally feasible to perform the same series of tasks based on "07" digits. In other words, the IXCs can: (1) extract a pool of 800-number call records based on the presence of "07" digits; (2) sort the pool of "07" calls by originating line number ("ANI"); and (3) assign the calls associated with each ANI to individual payphone providers, so that each payphone owner is credited with the correct number of "07" calls placed from its payphones during the compensation period. No party has provided data indicating that the pool of "07" calls is so large as to preclude taking

these steps with "07" calls -- steps which, again, are concededly feasible with respect to the very large (over 100 million per month) pool of "27" calls.

The IXCs claim they have an additional difficulty with respect to "07" calls, because they are not able to eliminate those calls in the "07" pool that were not originated from payphones. This may be true in the initial stage of the process, when the pool of "07" call records is compiled. However, by the end of the third step in the process, the IXC has effectively eliminated non-payphone calls. The same LEC lists of payphone ANIs and subscribers that enables the IXC to assign each payphone ANI and associated calls to the correct payphone owner also effectively eliminates calls associated with non-payphone ANIs. Calls that do not originate from payphones, under this approach, will not be assigned to any payphone owner because their associated non-payphone ANI will not appear on the LEC lists.[28] While this method is not the most desirable method from the PSPs' perspective, because it depends too heavily on the questionable reliability of LEC ANI lists, it is at least a feasible approach.

In short, even though "07" does not by itself uniquely identify payphone calls, it provides an initial sort that provides a starting point for the IXC to effectively identify payphone-only calls using LEC ANI lists (Option 4).

The provision of OLNS (Option 3) also appears to be a feasible approach to implementation of per-call compensation. If the IXC, at some point during the process,

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[28] Indeed, LEC ANI lists have been used for this very purpose under the flat-rate system.

runs a screen against OLNS information, the IXC may be able to eliminate some of the inaccuracies associated with reliance on LEC lists. Assuming that the OLNS data base contains correct payphone-specific codes for each payphone line, the IXC can use that data base to effectively identify all calls that originated from payphone lines. Taking such a step may improve the reliability of the per-call compensation system.

Nevertheless, in order to ensure that payphone service providers are fairly and timely compensated, APCC reluctantly accepts that a time-limited waiver may be granted to allow IXCs to pay payphone compensation on a flat-rate basis rather than a per-call basis, provided that certain conditions are met, as described below. In brief, any flat-rate waiver should adhere to the following principles:

- PSPs must receive timely payment of compensation during the Waiver Period -- i.e., on a monthly basis and in any event no later than the payment date for per-call compensation.

- Initial flat-rate payments should be based on APCC's current estimate of average dial-around call volumes totaling 152 calls per payphone per month.

- Provisional allocations of flat-rate payments among carriers can be similar to the Commission's previous interim payment allocation, but should include LECs and should be subject to later true-up.

- IXCs and LECs should not be allowed to "game the system," by selectively participating in the flat-rate system during the Waiver Period.

- Interim payments should be subject to carrier-carrier and carrier-PSP true-ups based on actual call volume data.

The Commission should also make clear that, once Flex ANI is in effect, IXCs' tracking obligations will be strictly enforced. Any IXC that can be shown to have failed to accurately track calls should be liable for double compensation. The Commission must ensure that any temporary flat-rate system that is instituted for the "Waiver Period" provides timely and fully compensatory payments to payphone providers. In particular, the following points must be addressed.

A. In Order To Ensure Timely Payment, Flat-Rate Compensation Should Be Paid Based On The Best Current Estimate Of Average Dial-Around Calls And A Provisional Allocation Of The Payment Among Carriers Based On Toll Revenue

PSPs must receive timely payment of fair compensation during the Waiver Period. As discussed above, the compensation scheme to date has subjected PSPs to continual delays in collecting fair compensation. Delays in the collection of compensation not only impose severe costs, but even threaten the very financial existence of payphone providers. Therefore, an absolute requirement is that any flat-rate compensation payment be paid on a timely basis -- i.e., no later than the date that per-call compensation is paid.

Indeed, the Commission should require, as a condition of granting the IXCs a waiver, that flat-rate compensation be paid on a monthly basis. Independent PSPs have already been subject to numerous unnecessary and extensive delays and interruptions in the payment of compensation. It is time for the Commission to step in and encourage a more prompt form of dial-around payment. By requiring that flat-rate compensation be paid on a monthly basis, the Commission will take a modest step to ameliorate the disastrous effects

on PSPs of the interruption of compensation payments caused by the court's order vacating the "interim' compensation scheme. Further, by requiring monthly payments during the Waiver Period, the Commission will facilitate experimentation with a payment method that is fairer to payphone providers and deserves to be considered for adoption on a permanent basis.[29]

In order to ensure timely payments, it is necessary for the Commission to prescribe a flat rate based on (1) the best current estimate of average dial-around traffic volume, and (2) a provisional allocation of compensation payments among carriers.

1. Flat-Rate Compensation should be based on APCC's current estimates of dial-around traffic

Flat-rate compensation should be based on the best current estimate of dial-around traffic. The most current estimate in the record is APCC's estimate for the year 1996. Based on a sample of some 4,400 payphones from 23 independent payphone providers in 32 states, APCC estimated that the average number of access code calls per payphone per month in 1996 was 44 (including 5 prepaid card calls), and the average number of subscriber 800 calls per payphone per month in 1996 was 108. See Attachment 2. Numerous parties relied upon APCC's 1996 estimates in their comments. These estimates are an appropriate basis for prescribing a provisional flat-rate compensation payment, at least for independent PSPs, for the Waiver Period.

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[29] The IXCs can continue to use the quarterly LEC ANI list.

2. Provisional Allocations Can Be Made

A provisional allocation of the flat-rate payment among carriers could be made in a manner similar to the original "interim" allocation of flat-rate payments prescribed in the Payphone Order. While that interim allocation was overturned by the court of appeals, the key difference in this instance would be that the Waiver Period allocation would be a provisional allocation only. It would be subject to later true-up among the carriers themselves, based on carriers' reported shares of per-call compensation, as described below. This true-up would ensure that any initial errors in the allocation would be corrected so that the final allocation of flat-rate payments for the Waiver Period would be equivalent to carriers' actual shares of compensation payments under the per-call compensation scheme.

The Commission has a number of options for setting the provisional allocation of flat-rate compensation payments. The simplest approach is to use the same system originally used in the Payphone Order, in which IXCs with more than $100 million in annual toll revenue paid compensation based on their relative shares of overall toll revenue. The only modification that APCC believes is necessary is to provide that the initial compensation payers should include LECs with more than $100 million in toll revenue as well as IXCs with more than $100 million in toll revenue. Although LECs have argued that their shares of access code and subscriber 800 traffic are much lower than their shares of overall toll traffic, it would be unfair to exclude LECs from the flat-rate system. To the extent that LECs overpay under the flat-rate system, such an overpayment is acceptable because it will be subject to an ultimate true-up and because, in failing to comply with their

coding digit service obligations, LECs have materially contributed to the current per-call compensation impasse.

An alternative method would be to require all LECs and IXCs, as a condition of their respective waivers of per-call compensation requirements to report their total annual revenue from subscriber 800 traffic. Flat-rate payments could then be allocated based on each carrier's relative share of subscriber 800 traffic.

Whichever method is chosen, there could be a subsequent true-up among all carriers -- and a separate true-up between carriers and PSPs -- based on reliable reports of actual dial-around traffic. Various ways to handle these true-ups are discussed in Section __ below.

B. IXCs Should Not Be Able To Pick And Choose Whether And Whom To Pay Flat Rate Or Per-Call During The Waiver Period

A flat-rate waiver should have clearly defined parameters and should not leave it up to individual IXCs whether to pay compensation on a flat-rate or per-call basis. If an IXC is allowed to choose for itself on which basis to pay, then those IXCs with relatively low dial-around traffic (compared with the IXC's overall toll revenue) will choose to pay on a per-call basis, while IXCs with relatively high dial-around traffic will choose to pay on a flat-rate basis. The result will be that total payments do not fully compensate PSPs. Even if there is a later true-up, PSPs are likely to be shortchanged unless the true-up is very comprehensive and accurate.

Equally important, IXCs should not be allowed to choose whether to pay per-call compensation on some "dumb" payphone lines (e.g., some portion of those that currently offer Flex ANI) while paying flat-rate compensation on other "dumb" lines (that currently offer Flex ANI, as well as those with OLNS or plain "07"). If IXCs are able to make this choice, e.g., by deciding that they will subscribe to Flex ANI on some but no all lines currently capable of handling Flex ANI, then IXCs will decide what to do based on the number of dial-around calls they are receiving from individual payphone lines, and PSPs will again be shortchanged.

In order to prevent this kind of gaming of the compensation system, IXCs should be required to pay flat-rate compensation on all "dumb" payphone lines that do not deliver ANI-specific digits or that are connected to LEC payphones (see below),[30] until the deadline for beginning per-call compensation.

APCC also believes that LECs should not be given discretion as to when to convert their *own* PSPs' "dumb" payphone lines, to the extent they have any, to per-call compensation. There is potential for LECs, as well, to game the system by exercising discretion on which "dumb" payphone lines are cut over to Flex ANI. Therefore, LECs should be required to accept flat-rate compensation on all "dumb" payphone lines, whether or not already converted to Flex ANI, until the end of the Waiver Period.

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[30] This qualification assumes that all IXCs can currently track payphone calls when payphone-specific digits are provided by means of Flex ANI. However, in light of AT&T's previous claim that it could *not* handle Flex ANI, the Commission should require each major IXC to state unequivocally whether or not it can currently handle Flex ANI.

C. Interim Payments Should Be Subject To True-Up Based On Later Call Volume Data

Payments of flat-rate compensation should be subject to two kinds of true-ups in order to ensure that ultimate compensation obligations for the Waiver Period are as close as practicable to actual dial-around traffic.

First, there should be a true-up among the carriers paying compensation, in order to ensure that carriers' shares of compensation payments are adjusted to reflect the actual average distribution of dial-around traffic. There are a number of possible ways to determine the final allocation of payments that would be implemented by means of the carrier-carrier true-up. One way would be to wait for per-call volumes to be reported under the comprehensive per-call compensation system that is implemented after the waivers expire. Another approach would be to have an earlier true-up in which the final allocation is determined based on the results reported from those payphone lines that are already subject to per-call compensation payments. This approach would have the benefit of permitting an earlier true-up, although it would not be quite as reliable as an approach based on the total per-call compensation system eventually implemented.

A second true-up should be conducted between the carriers and PSPs, to reflect the actual volumes or average volumes of dial-around traffic that are reported to occur under per-call compensation. There are a number of possible ways to conduct a carrier-PSP true-up. One way is to adjust the flat-rate compensation amount based on average reported dial-around traffic volumes. Under this approach, if actual average

dial-around traffic was greater than estimated, then an additional compensation payment would be made to each PSP.

For example, if estimated traffic is 152 calls per line per month, then based on the per call rate set in the Second Payphone Order, the initial flat-rate compensation payments would total 152 x $.28 = $42.56 per line per month. If subsequent data indicated that the actual dial-around traffic averaged 170 calls per line per month, then each PSP would receive additional compensation payments totaling (170-152) x $.28 = $5.04 per line per month.

If the Commission decides to have a carrier-PSP true-up based on average call volumes, it needs to decide what is an appropriate source of actual average call volumes. One alternative is to use the results of APCC's dial-around call volume survey. APCC is continuing its dial-around survey through 1997 and 1998. APCC will complete analysis of 1997 results shortly after the end of the year, and expects to have results for subsequent quarters shortly after the end of each quarter. This approach would work for independent PSPs, but not necessarily for LECs.

Another alternative is to use the actual per-call compensation payments reported by carriers once the per-call system is in effect. The disadvantages of this system are that (1) it would take longer to true-up, since the data would not be available for several months after the deferred date for beginning the per-call system,[31] and (2) the reported

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[31] In order to have a valid sample of average call volumes under the per-call system, at least 3-6 months of experience would be needed. Under flat-rate compensation, payments generally have not been made until at least three months after the end of the (Footnote continued)

data refers to a different time period than the period to which the flat-rate payments apply.[32]

An alternative to a carrier-PSP true-up based on average dial-around call volumes, from whatever source derived, would be a modified true-up in which PSPs would be allowed to collect additional compensation for those payphones that they can demonstrate to generate dial-around call volumes more than 50% higher than the flat-rate estimate. Under this approach, the Commission would ensure a modicum of equity to those PSPs with unusually high volume payphones, who are entitled to per-call compensation for those payphones, and who are unjustly penalized as a result of the LECs' and IXCs' last-minute requests for waivers. Under this approach, the true-up could be based on actual compensation paid by IXCs in the first six months of true per call.

D. The Flat-Rate Could Be Subscriber 800 Calls Only

The Commission must also address whether the flat-rate compensation should apply to all dial-around calls from covered lines, or only to subscriber 800 calls. As discussed in Section I. above, it appears that it is currently feasible, at a minimum, for all IXCs to pay per-call compensation on access code calls from all payphone lines (except

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(Footnote continued)
quarter. Thus, reports based on 6 months of actual payments would not be available until 9 months after the deadline for beginning per-call payments. However, reports of average payphone call volumes presumably could be compiled by carriers even before actual payments were made, i.e., as early as one month after the close of the final per-call compensation period, or 7 months after the deadline for beginning per-call compensation.

[32] Moreover, the initial data would be distorted by any initial implementation problems experienced by carriers in the deployment and use of Flex ANI.

those served by non-equal-access switches). Thus, one alternative is to limit the scope of the waiver granted to IXCs so that flat-rate compensation is paid only for subscriber 800 calls, while per-call compensation is paid for access code calls.

Such "bifurcated" compensation would move the system closer to per-call compensation at an earlier date. The initial estimate of subscriber 800 calls subject to flat-rate payment can be readily derived from APCC's dial-around survey, which estimated 108 subscriber 800 calls per payphone per month. A true-up could be handled by collecting reports of actual volumes of subscriber 800 calls.

Another alternative might be to simply use the current ratio of access code to subscriber 800 calls reflected in APCC's dial-around survey as the basis for applying a multiplier to the volume of access code calls from each payphone. Based on the current 2.45 to 1 ratio (108 subscriber-800 divided by 44 access code calls), carriers would pay access code compensation of $.284 cents per call, plus a surcharge of $.696 per call to reflect the imputed number of subscriber 800 calls. For example, a payphone that sent 50 access code calls to AT&T in a month would collect from AT&T $14.20 for the fifty access code calls plus $34.79 for an imputed 122.5 subscriber 800 calls. A payphone that sent 80 access code calls to AT&T would collect $22.72 for the 80 access code calls plus $55.66 for an imputed 196 subscriber 800 calls. Under this approach, subscriber 800 would not be paid on a flat-rate basis, but on a multiplier basis.

A difficulty with this approach is that APCC is unaware of any proof that there is a statistically significant relationship between the number of access code calls made from a

payphone and the number of subscriber 800 calls made from a payphone. We know averages and aggregates, but have no reason to assume there is a constant relationship.

CONCLUSION

The Commission's decisions on these issues must be made as soon as possible to provide regulatory certainty, ensure timely payment of fair compensation, and promote the earliest implementation of a fully competitive payphone regime.

Dated: October 30, 1997

Respectfully submitted,

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(202) 828-2226

Attorneys for the American Public
Communications Council

ATTACHMENT 1

networkMCI

October 15, 1997

[redacted]

RE: IMPORTANT NEWS ABOUT AN FCC MANDATE THAT IMPACTS YOUR TOLL FREE SERVICE AND REQUIRES YOUR ACTION BY OCTOBER 24, 1997.

Dear Attn: Marc Bloom:

Effective October 13, 1997, MCI will charge its toll free customers a per-call payphone use charge for each payphone originated toll free call, including remote access and calling card access calls.

This charge is a result of a key provision of the Telecommunications Act of 1996 which states that payphone service providers are to be compensated for all non-coin calls completed from their payphones.

Because these charges are to be paid by the carriers who transport the calls, they will be assessed and appear on your MCI invoice beginning in December 1997. The amount of the charge will be $.30 per call. MCI and other carriers appealed the FCC's initial decision that requires common carriers to pay a per call charge. Moreover, a Federal Court overturned the FCC's decision. The FCC's response ordered per call compensation to commence October 7, 1997 and remain in place for two years. In addition, the FCC has granted a waiver to certain LECs/PSPs allowing them to delay the provision of unique payphone coding digits until March 9, 1998.

In response to customer requests, MCI will offer Payphone Toll Free Blocking Service where available. This service will block the completion of toll free calls from payphones. Payphone Toll Free Blocking Service will begin to be offered on November 15, 1997. This date is subject to change pending FCC action or MCI development delays as a result of those changes. MCI expects to have full blocking capability in place by March 1998.

As a result of the recent FCC waiver and resulting development implications, blocking will not be available for some calls. Where calls are not able to be blocked, your company will be responsible for the associated transport charges for these calls including payphone use charges. Blocking is not available for remote access and calling card access.

If you wish to implement Payphone Toll Free Blocking on any or all for your toll free numbers, you must contact MCI by October 24, 1997 in order to request the service. The charge for this service is $250 per Corporate ID for installation and $250 per Corporate ID per month for the blocking service.

Please contact your MCI Account team today for more information or to request Payphone Toll Free Blocking Service.

Sincerely,

MCI Business Markets

CP16

20041809

NEW PAY PHONE CONNECTION FEE

Due to a recent FCC mandate, long distance carriers are now required to pay compensation to owners of pay phones for any coinless call originating from a pay phone, including FONCARD, toll-free, prepaid card and operator-assisted calls. In order to cover these costs, Sprint may implement a pay phone connection fee for pay phone originated calls.

The Reason For The Connection Fee.

The Telecommunications Act of 1996 mandated that long distance carriers must compensate pay phone owners for providing access to their networks. The amount of compensation was set by the FCC at 35¢ per call. After Sprint and the other long distance carriers successfully challenged the FCC's order in federal court, the FCC is now reconsidering the amount of compensation Sprint must pay.

Where To Find The Pay Phone Connection Fee.

In order to help you keep track of your billing, Sprint will be making changes to your invoice. Your Sprint invoice will soon indicate which calls have been placed from a pay phone and which calls will be charged a connection fee.

Sprint Will Continue To Deliver Competitive, Low, Flat Per-Minute Rates And Superior Service.

While this FCC-mandated pay phone compensation will impact the industry, Sprint will continue to offer low, flat per-minute rates on all local and long distance services.

We will also continue to provide high-quality, superior service and innovative products you've come to expect from Sprint. It's all part of our ongoing commitment to helping businesses be more productive and do more business.

Some commonly asked questions about the pay phone connection fee.

Q. What kinds of calls will be charged a connection fee?
A. Coinless calls originating from a pay phone including FONCARD, operator services, directory assistance and prepaid card calls. People receiving toll-free calls from a pay phone will also pay the connection fee.

Q. How much is the pay phone connection fee?
A. Sprint intends to set the connection fee equal to the per-call amount that the FCC requires Sprint to pay owners of pay phones.

Q. Why wasn't there a connection fee before now?
A. The Telecom Act of 1996 mandates that all long distance carriers compensate pay phone owners for providing access to their network.

Q. Will this affect existing customers?
A. Yes. This charge will affect new and existing customers.

Q. How long will this connection fee be in effect?
A. For the indefinite future, though the level of the connection fee may be changed depending on the rates ultimately set by the FCC.

Sprint.

We help your business do more business.

Printed on recycled paper.

Dear Payphone Service Provider:

As you are probably aware, Sprint placed a temporary hold on processing payphone compensation payments for the first quarter of 1997 pending evaluation of the impact on its payment obligations of the July 1, 1997 decision of the U.S. Court of Appeals in Illinois Public Telecommunications Ass'n v. FCC. It is Sprint's belief that the effect of the Court's decision is to set aside the compensation provisions of the FCC's orders, and that as a result, Sprint is under no current obligation to make any further payments under the FCC's interim compensation plan. Sprint is aware that the FCC, in an August 5, 1997 PublicNotice, took the position that its earlier orders remain in effect until further action by the FCC. In order to resolve this difference in interpretation, Sprint and other long distance carriers have asked the Court to clarify this aspect of its decision.

In the meantime, Sprint has decided to make an interim provisional payment for the first quarter of 1997 at a rate of approximately $1.42 per payphone per month. This amount is 28.6%, or 10/35, of the amount due under the FCC's interim compensation orders, and reflects Sprint's belief that a reasonable cost-based rate for per-call compensation is in the neighborhood of ten cents per call, rather than the 35 cent default rate adopted by the FCC. In order for a payphone to be eligible for compensation, the Local Exchange Carrier (LEC) must include the payphone in their report of active payphones for the first quater of 1997. If the payphone is not on the list, compensation will not be paid until validation is provided. In addition, if multiple owners attempt to claim the same payphone and this dispute cannot be resolved, via LEC reports, compensation will not be paid until validation is provided.

The enclosed payment is made without prejudice to Sprint's rights to later recover all or part of this amount in accordance with future FCC decisions in response to the remand from the Court. It is also without prejudice to Sprint's position on any issue now before the FCC, including the proper per call amount, and whether and how to reflect that amount in an interim compensation plan (including issues such as which carriers are obligated to pay interim compensation and how that obligation should be spread among the carriers).

Sincerely,

Sprint Payphone Compensation

The Numbers are in...

APCC's SMDR Project provides telling statistics on payphone calls

by Gregory V. Haledjian

How many calls are made from an average payphone each month? How many of them are coin? How many are non-coin? How many are dial-around? Which interexchange carriers (IXCs) get the most calls from payphones? Independent public payphone (IPP) providers can answer these questions about their own phones, but industry-wide statistics haven't been available until just recently. Now, providers can compare their own information with industry-wide numbers, and the American Public Communications Council Inc. (APCC) can use the statistics for legal, legislative and regulatory purposes.

In fact, the APCC is where this numbers project all began. When the association was working before the Federal Communications Commission (FCC) to develop regulations for implementing the payphone provisions of the Telecom Act, it needed data to accurately demonstrate call traffic patterns from IPPs. The association developed a sample group that would accurately reflect all the IPPs in the United States (local exchange carrier [LEC] payphones are not included). Currently, 23 companies that operate more than 100,000 phones are participating in what is known as the SMDR Project (station message detail reports). These companies are submitting monthly call data from 4,400 payphones in 32 states. They're tracking and reporting information on completed call counts and duration. The APCC defined a completed call for this project by setting an acceptable duration for each type of non-coin call. The payphones are at a wide variety of locations, including hotels, motels, convenience stores, gas stations, restaurants, business districts, shopping malls, apartment buildings, truck stops and casinos.

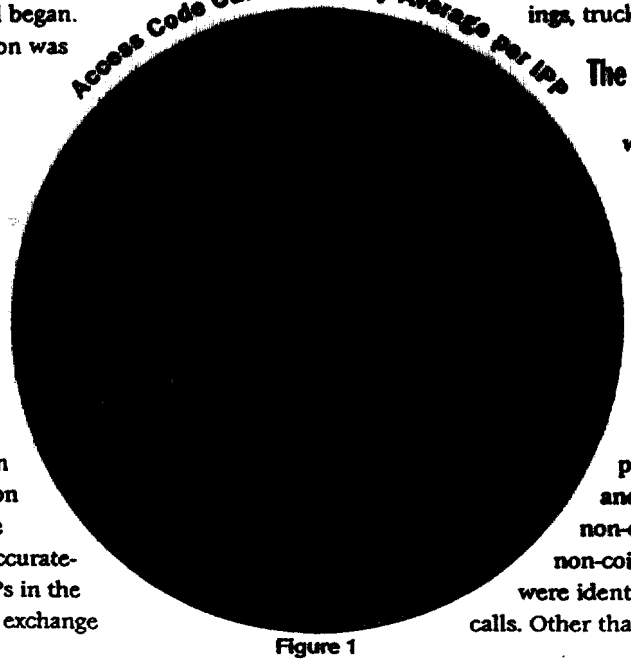
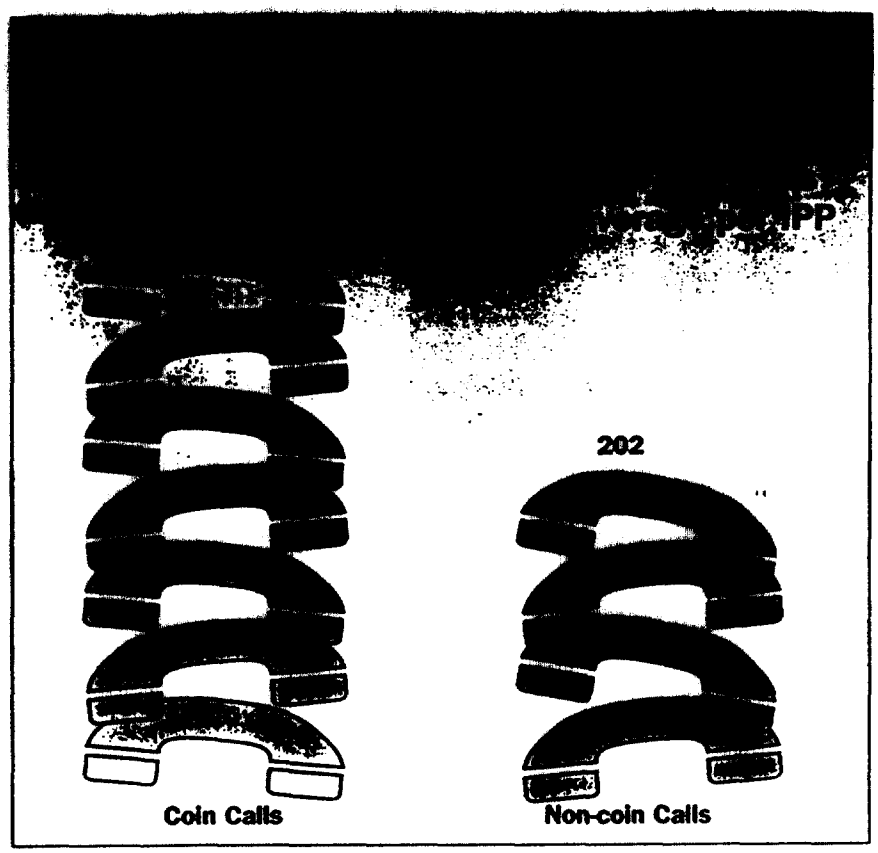


Figure 1

The results

At the time this article was prepared, the APCC had been able to crunch 11 months' worth of data, from February to December 1996. In this time period, the data showed an average of 713 completed calls per payphone per month. Of these, 511 (72 percent) were coin calls, and 202 (28 percent) were non-coin calls. Of the 202 non-coin calls, 39 (19 percent) were identified as access code calls. Other than subscriber 800 calls,



the rest of the non-coin calls broke down as follows: 24 (12 percent) were 0+ calls, 10 (5 percent) were 0- calls, 5 (2 percent) could be positively identified as prepaid card calls, 2 (1 percent) were 00- calls, 12 (6 percent) were 411 calls, and 2 (1 percent) were 555 calls. The remainder of the non-coin calls, which totaled 108 (53 percent), appear to be subscriber 800 calls.

Of the 39 access code calls per month, AT&T received 20.1 calls (51.5 percent), MCI received 12.6 calls (32.2 percent), Sprint received 3 calls (7.7 percent), and the remaining carriers received a total of 3.3 calls (8.6 percent).

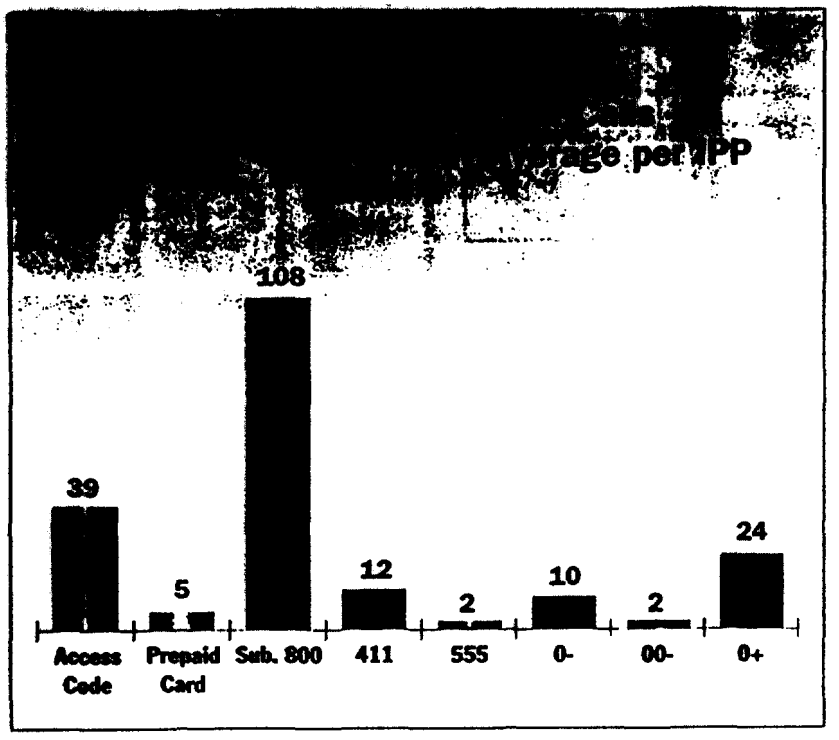
This of course brings us to dial-around compensation. The 1996 data showed an average of 152 dial-around calls per payphone per month: 108 (71 percent) were subscriber 800 calls, 39 (26 percent) were access code calls, and 5 (3 percent) were prepaid card calls. (To prevent any confusion, we

Dial-around Stats - Monthly Average per IPP*

Access Code Calls	31	40	38	44	39	46	49	35	39	38	32
Prepaid Card Calls	3	3	3	3	4	7	7	6	6	5	4
Subscriber 800 Calls	75	98	96	102	107	111	122	103	130	126	119
411	10	11	11	13	15	14	12	14	12	10	11
555	1	2	2	1	2	2	2	2	3	2	2
0-	11	10	10	11	12	13	11	9	8	7	7
00-	1	1	1	1	2	2	2	2	3	2	2
0+	29	31	26	27	25	25	28	20	19	18	16
Non-coin Calls Total	161	196	188	203	205	219	233	191	219	210	195
Coin Calls Total	423	505	468	535	536	556	544	526	524	494	509
Coin & Non-coin Total	584	701	656	738	742	775	777	716	744	704	703

Prepaid Card Calls	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	2%
411	6%	6%	6%	6%	7%	6%	5%	7%	6%	5%	6%
0-	7%	5%	6%	6%	6%	6%	5%	5%	4%	4%	4%
0+	16%	16%	14%	13%	12%	11%	12%	11%	9%	9%	8%
Coin Calls Total	72%	72%	71%	73%	72%	72%	70%	73%	71%	70%	72%

** Due to rounding, the totals in this table may not be exact.*



should note that the APCC had previously submitted dial-around data to the FCC that showed a total of 142 dial-around calls per month: 99 [70 percent] were subscriber 800 calls, 40 [28 percent] were access code calls, and 3 [2 percent] were prepaid card calls. These stats were based on three months' worth of data; the current results are from 11 months' worth of data.)

A few trends

The 1996 data also revealed what many of you already knew: coin-sent paid is the predominant type of call made from payphones, representing 72 percent of all calls. Concerning non-coin calls, subscriber 800 is the most prevalent call type. In fact, this category increased from 47 percent of all non-coin calls in February to 61 percent of all non-coin calls in December. Access code calls declined slightly throughout the year: 20 percent in February, a high of 21 percent in May, July and August, and a low of 17 percent in December.

Regarding other types of non-coin calls, directory assistance calls remained consistent during 1996. As for operator-assisted calls, 0- calls declined slightly during the year: from 7 percent in February to 4 percent in December. The 00- calls remained relatively flat (at 1 percent), while 0+ calls decreased dramatically, from 18 percent in February to 8 percent in December.

Which IXCs are getting these non-coin calls? The top seven carriers receive 97.4 percent of all access code calls. This group consists of AT&T, MCI, Sprint, LDDS WorldCom, Frontier, LCI and Excel. Figure 1 shows the percentage breakdown by IXC.

Clearly, this new data justifies the level of dial-around compensation that was set in the FCC's Payphone Order. It also substantiates the move to per-call compensation, and verifies a few other trends we had suspected but had not been able to quantify. The APCC will continue to gather this information for use in its legal, legislative and regulatory efforts. If you'd like to participate or if you'd like more information about the project, please call me at (703) 385-5300, ext. 225. ■

Gregory V. Haledjian is government relations manager for the American Public Communications Council.

ATTACHMENT 2

The Numbers are in...

APCC's SMDR Project provides telling statistics on payphone calls

by Gregory V. Haledjian

How many calls are made from an average payphone each month? How many of them are coin? How many are non-coin? How many are dial-around? Which interexchange carriers (IXCs) get the most calls from payphones? Independent public payphone (IPP) providers can answer these questions about their own phones, but industry-wide statistics haven't been available until just recently. Now, providers can compare their own information with industry-wide numbers, and the American Public Communications Council Inc. (APCC) can use the statistics for legal, legislative and regulatory purposes.

In fact, the APCC is where this numbers project all began. When the association was working before the Federal Communications Commission (FCC) to develop regulations for implementing the payphone provisions of the Telecom Act, it needed data to accurately demonstrate call traffic patterns from IPPs. The association developed a sample group that would accurately reflect all the IPPs in the United States (local exchange carrier [LEC] payphones are not included). Currently, 23 companies that operate more than 100,000 phones are participating in what is known as the SMDR Project (station message detail reports). These companies are submitting monthly call data from 4,400 payphones in 32 states. They're tracking and reporting information on completed call counts and duration. The APCC defined a completed call for this project by setting an acceptable duration for each type of non-coin call. The payphones are at a wide variety of locations, including hotels, motels, convenience stores, gas stations, restaurants, business districts, shopping malls, apartment buildings, truck stops and casinos.

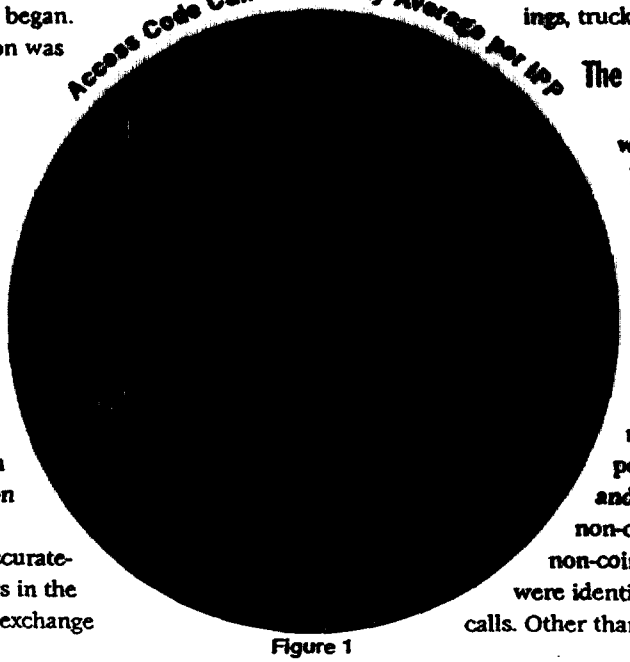


Figure 1

The results

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